

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**CALIFORNIA HEALTH FACILITIES COMMISSION
HEALTH FACILITIES COMMISSION FUND
FINANCIAL AUDIT REPORT
YEAR ENDED JUNE 30, 1983**

REPORT
BY THE
OFFICE OF THE AUDITOR GENERAL

R-519

STATE OF CALIFORNIA
CALIFORNIA HEALTH FACILITIES COMMISSION
CALIFORNIA HEALTH FACILITIES COMMISSION FUND
FINANCIAL AUDIT REPORT
YEAR ENDED JUNE 30, 1983

JULY 1984



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Thomas W. Hayes
Auditor General

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Office of the Auditor General
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July 5, 1984

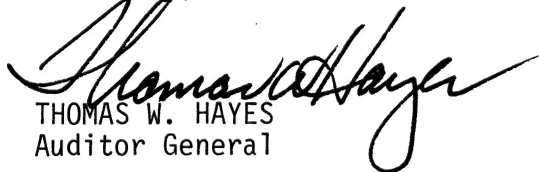
R-519

Mr. Jose Carlos, Chairperson
California Health Facilities Commission
717 K Street, Room 100
Sacramento, California 95814

Dear Mr. Carlos:

The Office of the Auditor General presents its financial audit report on the financial statements of the California Health Facilities Commission Fund for the year ended June 30, 1983.

Sincerely,


THOMAS W. HAYES
Auditor General

cc: Mr. Joseph H. Hafkenschiel, Executive Director
California Health Facilities Commission

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INTRODUCTION

We have conducted a financial audit of the California Health Facilities Commission Fund. We conducted this audit under the authority vested in the Auditor General by Section 10500 et seq. of the Government Code.

Each year the Legislature appropriates money from the California Health Facilities Commission Fund to support the California Health Facilities Commission (commission). The California Health Facilities Commission Fund accounts for assessments that health facilities pay to finance activities of the commission. The commission established an annual fee based on health facilities' gross operating costs for providing health care services.

The commission is responsible for establishing and maintaining uniform accounting and reporting systems to disclose information on health facility costs. The commission's responsibilities also include establishing standards of effectiveness for health facilities and forecasting hospital operating and capital expenditures for the geographical health system areas in California. The commission collects patient and financial data from hospitals and nursing homes and summarizes the data in reports to government agencies and the public.



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We have examined the balance sheet of the California Health Facilities Commission Fund as of June 30, 1983, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. We made our examination in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary under the circumstances.

As described more fully in Note 3 to the financial statements, it was not practicable to determine what adjustments would be necessary to separate from accounts payable for the years ended June 30, 1982, and 1983, encumbrances for goods and services to be delivered. In accordance with generally accepted accounting principles, encumbrances outstanding at the end of the year should be reported as a reservation of fund balance rather than as an expenditure of the period just ended.

In our opinion, except for the effects of reporting encumbrances as expenditures, the financial statements referred to above present fairly the financial position of the California Health Facilities Commission Fund at June 30, 1983, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We made our examination for the purpose of forming an opinion on the basic financial statements taken as a whole. In a supplement to this report, we compare budgeted expenditures with actual expenditures on the budgetary basis. This information, which is not a required part of the basic financial statements, has been subjected to the auditing procedures we applied in examining the basic financial statements and, in our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

OFFICE OF THE AUDITOR GENERAL



KARL W. DOLK, CPA
Assistant Auditor General

Date: May 15, 1984

Staff: Richard I. LaRock, CPA, Audit Manager
Teri L. Yee, CPA
Deborah Y. Tang

STATE OF CALIFORNIA
CALIFORNIA HEALTH FACILITIES COMMISSION
CALIFORNIA HEALTH FACILITIES COMMISSION FUND
BALANCE SHEET
AS OF JUNE 30, 1983

ASSETS

| | |
|-------------------------------|--------------------|
| Cash | \$ 28,776 |
| Accounts Receivable | 59,057 |
| Due from Other Funds (Note 4) | 966,245 |
| Prepaid Expenses | <u>27,169</u> |
| Total Assets | <u>\$1,081,247</u> |

LIABILITIES AND FUND BALANCE

| | |
|------------------------------------|--------------------|
| Liabilities | |
| Accounts Payable | \$ 197,356 |
| Due to Other Funds | <u>47,035</u> |
| Total Liabilities | 244,391 |
| Fund Balance - Unreserved | <u>836,856</u> |
| Total Liabilities and Fund Balance | <u>\$1,081,247</u> |

See the notes accompanying the financial statements.

STATE OF CALIFORNIA
CALIFORNIA HEALTH FACILITIES COMMISSION
CALIFORNIA HEALTH FACILITIES COMMISSION FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1983

REVENUES

| | |
|----------------------|------------------|
| Fees | \$3,385,294 |
| Penalties | 124,875 |
| Interest | 188,550 |
| Charges for Services | 40,000 |
| Miscellaneous | <u>787</u> |
| Total Revenues | <u>3,739,506</u> |

EXPENDITURES

| | |
|---------------------------------|------------------|
| Personal Services | 2,139,705 |
| Operating Expense and Equipment | <u>1,047,645</u> |
| Total Expenditures | <u>3,187,350</u> |

| | |
|---|-------------------|
| Excess of Revenues Over Expenditures | 552,156 |
| Fund Balance, July 1, 1982 | <u>284,700</u> |
| Fund Balance, June 30, 1983 | <u>\$ 836,856</u> |

See the notes accompanying the financial statements.

CALIFORNIA HEALTH FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983

1. Definition of the Reporting Entity

The accompanying financial statements present information on the financial activities of the California Health Facilities Commission Fund of the State of California. This fund accounts for special fee assessments that health facilities pay to finance the activities of the California Health Facilities Commission (commission). The commission was created to develop uniform accounting and reporting systems for hospitals and long-term care facilities.

2. Summary of Significant Accounting Policies

Except for the reporting of encumbrances outstanding at the end of the year as expenditures of the year (more fully described in Note 3), the accompanying financial statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments. Below is a summary of the significant accounting policies that pertain to the California Health Facilities Commission's financial statements.

A. Fund Accounting

The California Health Facilities Commission Fund is a special revenue fund. Special revenue funds account for the proceeds from specific revenue sources; by law, these proceeds may only be used for specified purposes.

B. Basis of Accounting

The California Health Facilities Commission Fund is maintained on a modified accrual basis. Revenues are recorded when they become measurable and available. Expenditures are recorded when commitments are made, except for the costs of vacation and sick leave, which are recorded when paid.

3. Recognition of Expenditures

Encumbrances--goods and services that are ordered but not received by the end of the year--are recorded as expenditures based on the State of California's legal provision. Encumbrances should be reported as a reservation of fund balance to comply with generally accepted accounting principles.

The California Health Facilities Commission has not segregated encumbrances from accounts payable for the years ended June 30, 1982, and 1983. It is not practicable to determine what adjustments would be necessary to restate the financial statements in conformity with generally accepted accounting principles.

4. Due From Other Funds

Of the \$966,245 balance in the account, \$964,494 represents monies in the State's Surplus Money Investment Fund for pooled investment purposes. This money is available to the California Health Facilities Commission upon demand. Earnings derived from investments of the Surplus Money Investment Fund are apportioned to the contributing funds. Investment earnings due from the Surplus Money Investment Fund are accrued at June 30.

5. Retirement Contributions

Regular employees of the California Health Facilities Commission are members of the Public Employees' Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount that the California Health Facilities Commission and its employees contribute to the PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as they are accrued. The California Health Facilities Commission contributed \$215,421 to the PERS for fiscal year 1982-83.

SUPPLEMENTARY INFORMATION

In this section, we compare the legally adopted budget appropriations of the Legislature, including authorized revisions, to the California Health Facilities Commission's actual expenditures and reimbursements on the budgetary basis, including encumbrances, for the year ended June 30, 1983. The schedule does not include data related to previous fiscal years.

**CALIFORNIA HEALTH FACILITIES COMMISSION FUND
COMPARISON OF THE LEGALLY ADOPTED BUDGET
WITH ACTUAL EXPENDITURES ON THE BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 1983**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance- Favorable</u> |
|--------------------|--------------------|--------------------|--------------------------------|
| Expenditures | | | |
| Personal Services | \$2,217,000 | \$2,174,906 | \$42,094 |
| Operating Expenses | | | |
| and Equipment | 1,089,000 | 1,088,366 | 634 |
| Reimbursements | <u>(32,000)</u> | <u>(52,539)</u> | <u>20,539</u> |
| Total Expenditures | <u>\$3,274,000</u> | <u>\$3,210,733</u> | <u>\$63,267</u> |